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FM AMEMBASSY CAIRO

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INFO RUEHXK/ARAB ISRAELI COLLECTIVE

RUCNIRA/IRAN COLLECTIVE

RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 001067

SIPDIS

DEPARTMENT FOR NEA/ELA, H

E.O. 12958: DECL: 05/20/2018

TAGS: PREL PGOV ECON EG

SUBJECT: CODEL BAIRD MEETS WITH EGYPTIAN LEADERS ON MARGINS OF WEF

Classified by DCM Stuart Jones for reasons 1.4 (b) and (d).

¶11. (C) Summary: Codel Baird discussed Egyptian and regional issues with Egypt's political and business leaders on the margins of the May 18 - 20 World Economic Forum (WEF) in Sharm El Sheikh, Egypt. President Mubarak, Intelligence Chief Omar Soliman, and presidential son Gamal Mubarak focused on the need for deep engagement to resolve the Israeli/Palestinian crisis and to hinder Iran's growing influence in the region. On Iraq, Mubarak said "you cannot leave" but advised strengthening the military and allowing a "fair" dictator to come to power via a coup. "Forget democracy," he opined, "the Iraqis are too tough by nature." On the economic side, Egypt's business leaders regretted the lack of a U.S.-Egypt free trade agreement and asked the U.S. to push Egypt harder on good governance and democratic reform. Codel Baird consisted of Representatives Brian Baird (D-WA), Christopher Shays (R-CT), Peter DeFazio (D-OR), Jeff Fortenberry (R-NE), and Jim Cooper (D-TN); Representative Jane Harman (D-CA) joined the codel briefly on May 18. End summary.

President Mubarak

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¶12. (C) The codel began by thanking Mubarak for his positive leadership on regional issues. Mubarak said that he had advised Vice President Cheney and other U.S. officials not to invade Iraq and that "no one listened," but that now "it would be a mistake" to withdraw forces immediately because it would further open the door for Iran. Asked about U.S.-Egypt relations, Mubarak confirmed that "we have very good relations with the U.S.," but "your administration is not well-informed." However, "I am patient by nature," he said, in apparent reference to U.S. criticisms over human rights and democratization. Congressman Shays encouraged Mubarak to engage with Iraq as much as possible and asked if Egypt would send an ambassador, to which Mubarak replied "no, I cannot do it. When there is stability I am willing, but I cannot force civilians to go."

¶13. (C) Asked about Egypt's reaction if Iran developed nuclear weapons capability, Mubarak said that none will accept a nuclear Iran, "we are all terrified." Mubarak said that when he spoke with former Iranian President Khatami he told him to tell current President Ahmadinejad "not to provoke the Americans" on the nuclear issue so that the U.S. is not forced to strike. Mubarak said that Egypt might be forced to begin its own nuclear weapons program if Iran succeeds in those efforts.

¶14. (C) Asked about whether the U.S. should set a timeline for withdrawal from Iraq, Mubarak said "you cannot leave" because "you would leave Iran in control." Mubarak explained his recipe for a way forward: "strengthen the armed forces, relax your hold, and then you will have a coup. Then we will have

a dictator, but a fair one. Forget democracy, the Iraqis are by their nature too tough."

Omar Soliman

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¶ 15. (C) Egyptian General Intelligence Service (EGIS) chief Omar Soliman gave the codel an expansive evaluation of the key issues in the region. He focused on Iran's growing influence in Iraq, with Hamas, with Hizballah in Lebanon, and with Shia communities in the Gulf. To solve regional problems Egypt is working on three tracks - Palestine, Lebanon, and Iraq.

¶ 16. (C) Egypt hopes to achieve something soon on the Palestinian track, he said, but neither side is ready to stop the vicious circle of violence, although most on both sides want "quiet." Soliman's job now, he said, is to bridge the gaps on specific issues like border crossings, prisoner exchange, and bringing Hamas and the PA back together. He hoped to see an agreement on borders for a Palestinian state by the end of 2008, and noted that as a practical matter very few Palestinian refugees would seek right of return.

¶ 17. (C) On Lebanon, speaking a week before the Doha agreement was penned, Soliman said the three problems are Syria's large influence, lack of power of the majority over militia forces, and weak Arab support for the government. Syria is seeking a deal with Israel and the U.S. over returning the Golan and canceling the Hariri tribunal to lessen its meddling and Lebanon needs a strong, nationalist army. Soliman bemoaned that the Arab states have too poor relations with Syria to

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push them effectively.

¶ 18. (C) On Iraq, Egypt meets regularly with Jordan, Saudi Arabia, UAE, Kuwait, and Turkey to discuss reducing Iranian influence. The GOI must understand it has support from the Arabs and the U.S., not just Iran, he said. Soliman advocated making Iran suffer economically to be "too busy with its people" to make problems in Iraq. Reducing Iranian influence will help the Iraqi government become one, and not a competition between Sunni and Shi'a. he said.

¶ 19. (C) Asked about the consequences of any U.S. strike on Iranian nuclear capabilities, Soliman said such an attack would not destroy Iran's nuclear capabilities and would only unite Iranians with their leadership and against the U.S. He repeated the need to make Iran "busy with its people" by effective sanctions, citing the successful example of Libya. Asked about Sudan, he said that Egypt is still working to make north-south unity attractive, and to encourage talks between the GOS and rebels and between Bashir and Deby.

¶ 10. (C) Asked what it means when Arabs say that the U.S. "should listen to us," Soliman gave the example that President Mubarak warned Vice President Cheney about the consequences of the U.S. invading Iraq. Additionally, "your unilateral positions on economic aid are difficult." However, Soliman emphasized that Egypt is keen to continue to have a "very close" relationship with the U.S.

Gamal Mubarak

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¶ 11. (C) Gamal opined that the "battle lines are clearer for Egypt than ever before" on regional issues. The region "will not realize its full potential as long as geopolitical problems continue," he said. With the Israeli/Palestinian problem in particular, "we are racing against time." Gamal advocated close engagement by the U.S., Egypt, and other countries (NFI) in order to make practical improvements in the every day lives of Palestinians and develop a framework for a final deal, with borders as the key issue. Other regional issues such as Iran and Lebanon are "much more

complicated," he said; "the picture is not that rosy."

¶12. (C) Representative Baird raised the issue of USAID efforts to assist conservation of Red Sea reefs, which Gamal agreed was an important issue. Representative Shays asked Gamal's opinion of Syria President Bashar Al Assad, to which Gamal replied that "he understands the world better than his father," but that he is worried that opening up politically or economically could result in a loss of control.

¶13. (C) Representative Harman asked for Egypt to do more to fight smuggling to Gaza through tunnels, perhaps by setting up roadblocks a few miles before the border to intercept contraband. Gamal said that the border is a "shared concern" and Egypt is doing what it can to address smuggling.

¶14. (C) Representative Fortenberry asked about how to counter a developing Iranian nuclear program. Egypt and Saudi Arabia, as well as Jordan, are the "heavyweights" that can counter Iran, Gamal said, but he advocated movement on the Israeli/Palestinian track to remove a prime issue that Iran can use as a pretext.

American Chamber of Commerce in Egypt

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¶15. (SBU) The AmCham group led by President Omar Mohanna (Suez Cement) lamented that the lack of a U.S.-Egypt FTA continues to push Egypt's trade towards Europe and away from the U.S. They praised the Qualified Industrial Zones (QIZ) program and advocated expanding it to upper Egypt, though they acknowledged that increasing Egyptian textile exports to the U.S. would be a sensitive issue in the U.S. textile lobby. Karim Ramadan (Microsoft) praised the historic role of USAID in Egypt and asked that it continue with a focus on education and health, areas in particular need of development in Egypt.

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